

## **Welcome**

Welcome honored members of the Illinois General Assembly, Senate President Cullerton, Speaker Madigan, Leader Radogno, Leader Cross, Lt. Governor Simon, Attorney General Madigan, Comptroller Topinka, Treasurer Rutherford, and guests - thank you for your presence here today.

At the outset, we must never forget the honorable men and women that wear the uniform of our country.

This year, as we remember the 10th anniversary of September 11, 2001, we owe a profound debt to those who volunteer for our military and protect our democracy.

In particular, we send a special salute the 440 Illinois national guardsmen who are in the Sinai Desert of Egypt as we speak.

In the same vein, we should not forget that just 2 weeks ago we had a severe weather crisis in Illinois.

We had to deploy the workers of our state government to protect the lives of 13 million people.

Many state departments including IEMA, IDOT, ISP, Illinois National Guard, IDNR, Illinois State Toll Highway Authority, Illinois State Fire Marshal, worked as a team to plow 16,800 of miles of roads, working around the clock, in whiteout conditions, to keep our people safe.

We should give a round of applause to those heroic state workers that got the job done.

This is your state government at its best.

## **Stability/Financial House in Order – A Call to Action**

When I spoke to you a year ago, we stood on the brink of economic disaster.

We had just come through the worst financial crisis since the Great Depression, thousands of Illinois families were still suffering the effects of unemployment, and, after three decades of fiscal mismanagement, our state's financial house was on fire.

In the past year Illinois has begun an impressive recovery.

And we have taken important steps to rescue our state's finances.

We must have financial stability in Illinois.

### **Our Plan for Stability**

Budget stability is crucial for the success of businesses, families and the state of Illinois. It is a critical factor in attracting business investment and creating jobs.

It is how we will lead Illinois citizens to economic prosperity and maintain our role as a global economic powerhouse.

We have taken the first steps to stabilize our budget – with a comprehensive plan to restrain spending and reform state government.

### **Restraint**

The first part of this plan is budget restraint – finding new ways to reduce unnecessary state spending.

Since taking office, I have reduced our spending every year.

No area is above review.

Last year, we enacted a landmark pension reform law – the most far-reaching public pension reform in our nation's history.

Over the next generation, we will save the people of Illinois \$220 billion.

Just last month, I signed into law historic caps on state spending.

Our commitment to taxpayers is simple: we will only use tax dollars to provide necessary state services.

All unnecessary state spending will be eliminated.

### **Reform**

We are looking at programs in a new way - saving taxpayer dollars while improving the services we deliver.

For example: last month, we passed comprehensive Medicaid reform, which will save us millions of dollars.

But it will also improve health outcomes for Medicaid patients - decreasing ineffective reliance on emergency rooms by providing patients with a medical home, and focusing on preventive care to keep people from getting sick in the first place.

We need to keep investing in essential, necessary services while cutting programs that don't work.

This means continued support for cost-effective programs that do work, such as: homecare for those with disabilities, childcare for working families, and community care for our seniors.

This new approach is called 'budgeting for results'.

The spending reductions and program reforms I am talking about today are the result of our budgeting for results process. And I want to thank Senator Dan Kotowski for his leadership on this issue.

### **FY2012 Spending Reductions**

While we have taken strong action to stabilize our budget, we are still in a tough fiscal situation. As a result, the spending reductions I am presenting today are tough, as well.

The difficult choices we make today will ensure that we are able to provide essential services to families and businesses across the state.

This year we have looked for savings in a number of areas – here are a few examples of a long list of cuts:

We are reducing the Medicaid reimbursement rate for hospitals, nursing homes, saving taxpayers \$550 million dollars this year alone.

Illinois currently has 868 school districts, and our fiscal reality demands consolidation.

I am proposing the formation of a commission that will review the number of school districts in our state.

Consolidation lowers administrative overhead, improves efficiency and will save taxpayers \$100 million.

I am also proposing eliminating state funding for the salaries and office costs for regional school superintendents.

The \$13 million annual savings will be spent in the classroom, rather than on administration.

And I have heard an excellent suggestion from Rep. Anthony Delucca for a special commission to examine additional cuts to unnecessary government spending, a suggestion I look forward to working with you on.

### **Revenue/Debt Restructuring**

This year, we began facing up to our obligations. We enacted a new revenue law to help eliminate our long-standing structural deficit.

But that is only half the solution. We have \$8.7 billion in overdue bills.

We need to restructure our debt, a plan that will allow us to pay our outstanding bills to vendors and return to a prompt payment cycle.

Currently, Illinois pays its bills six to eight months behind schedule. We force our universities, our service agencies and our companies doing business with the state to bear the burden of slow pay.

For example, Illinois' backlog of payments to the state's transit systems is now more than \$280 million.

Millions of people living and working in Illinois rely on our mass transit systems, including 2 million trips per day in Northeastern Illinois alone.

Delayed payments to the Regional Transportation Authority for CTA, for Metra, and for PACE harms the ability of our people to get to work.

In addition, the state has been forced to pay more for procurement contracts, simply because we do not pay on time.

Vendors are not bidding competitively – our bids are 6 to 10 percent higher than they should be – because those contracting with the state expect long delays in payment.

This is not insignificant; we pay 700 million to a billion dollars extra per year as a result.

Even with our new revenues, if we do not restructure our debt it will take decades for us to return to the prompt payment cycle of a fiscally responsible government.

Legislation currently pending in the General Assembly would allow us to pay off our bills **today** – though a debt restructuring plan.

This is not 'new' borrowing. Billions of dollars of existing bills will not go away by magic.

With debt restructuring legislation, we have the opportunity to jumpstart our economy by paying our vendors today – an immediate injection of billions into our economy.

We will also see lower interest costs to the state and vendors willing to bid competitively.

If you don't agree with our debt restructuring plan, tell us which programs you would eliminate to pay \$8.7 billion in overdue bills today.

Put it out there for all to see. Saying no is not enough unless you are willing to offer real alternatives.

### **Economic Growth and Jobs**

Rebuilding our fiscal house and paying our bills will have a positive effect on our economy and jobs across Illinois.

### **Job Statistics**

In 2010, Illinois added more jobs than any other state in the Midwest – and we were fourth in the nation in job growth.

Don't forget Illinois is the 18th largest economy in the world with a state domestic product of 2/3 of a trillion dollars.

We've had nine straight months of declining unemployment.

In fact, the unemployment rate fell in every county of Illinois for the first time since 1974.

### **Incentives for Business**

One of best ways to create jobs is to help the private sector grow and develop.

Thanks to the public/private investments we have made, companies like Ford, Fiat/Chrysler, Navistar, Mitsubishi, Boeing and dozens of others have chosen to relocate and grow their operations in Illinois.

Our EDGE tax credits helped Ford add 1200 jobs at its Torrance Ave plant in Chicago. And we saved 1,950 jobs at Chrysler in Belvidere.

Ten days ago, Mitsubishi announced— thanks to our investment – that they will be saving 1,200 jobs at the company's Normal facility.

We are also investing in green technologies and manufacturing that are driving the jobs of today and tomorrow.

Last year, we helped develop the Rockford Solar Project, the largest solar power generator in the Midwest and one of the largest in the United States.

We're also working with manufacturing companies, like A. Lucas and Sons in Peoria and Brad Foote Gear Works in Cicero, helping them retool their operations and produce parts for wind turbines, an expanding Illinois industry.

We are helping Ingersoll Machine Tools shift their manufacturing business from aviation to wind, creating 87 jobs and saving another 69.

### **Modern Tech/Technology Boom**

Because of our efforts Illinois is a national leader in technology businesses.

Last year, I signed legislation to encourage more broadband and wireless investment across Illinois.

These investments are creating a tech boom across our state. Companies like Threadless, Peapod, Careerbuilder, Grubhub, and Orbitz are using these investments to grow and become the next generation of household names.

In addition, our efforts to bring cutting-edge companies and jobs to Illinois are bearing fruit.

Last year, we invested in a company called Groupon.

Forbes magazine has called them “the fastest growing company- EVER.” Groupon started with six employees in 2008 and now employs 1500 people in Illinois – in just three years.

And, thanks to our partnership, they're going to keep growing right here in Illinois.

### **Innovation**

For more than 150 years, our state has been a world leader in entrepreneurship, technology and innovation.

Illinois built the first silo, changing the way farmers store their crops.

We built the first skyscraper – Chicago’s Home Insurance Building– allowing our cities to climb into the sky.

We created the first commercial cell phone, we invented LED energy-efficient lighting, and we are home to the world’s fastest super computer.

But as any entrepreneur will tell you, a great idea is not enough.

Entrepreneurs need access to capital to carry out their vision.

We must support a vibrant entrepreneurial culture that capitalizes on Illinois’ strengths: our strong work ethic, our history of innovation, and our world-class universities and research institutions – including Argonne and Fermi Lab.

Today, I am announcing the formation of the Illinois Innovation Council.

Convening the best minds in business, academia, and research and development, this group will identify strategies our state should pursue to foster innovation and economic growth.

The Council will be led by Brad Keywell, a business leader with a record of spotting good ideas and attracting the investment to make them work.

He is a co-founder of Groupon, and will bring innovative business sense.

By harnessing our resources and coordinating our efforts, by putting scientists and inventors in touch with businesses and investors, we will create the jobs of today and tomorrow right here in Illinois.

### **Foreign Investment**

Illinois is a major player on the global stage.

Our current exports support more than a half a million Illinois jobs.

In 2010, our state’s exports went up by nearly 20% to just under 50 billion dollars.

We are 6th in the nation in exports, and first in the Midwest.

As Governor, I pledge double our exports over the next five years.

To meet this goal, we will be reorganizing our foreign trade offices –working with representatives from international markets to develop new trading relationships and enhance the ones already in place.

For example: we recently hosted the president of China and his delegation of trade officials. These meetings resulted in \$1.8 billion in agreements that will sell 25 percent of Illinois' soybean crop to China.

In 2010, exports from Illinois to China increased by nearly 30 percent.

And more than 30 Chinese companies have already invested in Illinois, employing thousands of Illinois workers.

### **Engaging Business**

Creating a good environment for business, economic growth and jobs requires connecting with the private sector.

My administration continues to meet and engage with leaders of large and small businesses throughout the state.

I will be hosting a Business Roundtable this Friday, February 18th. I will sit down with business leaders to hear their thoughts.

One thing we've already heard is the need for workers' compensation reform.

We are taking the lead on that issue.

We need to build a system that understands the needs of business while protecting the rights and safety of workers.

### **Employer Training Investment Program**

In tackling the challenges of competing in a global marketplace, we should never lose sight of the fact that our greatest asset is our human capital.

Illinois' workers are smart, resourceful, and hardworking.

But we can't become complacent.

We must invest in our state's workforce to meet the changing needs of business, so that Illinois workers always have the education, training and skills necessary to compete with anyone around the world.



That's why I am proposing to increase support for the Employer Training Investment Program.

We are also continuing to invest in the infrastructure that has made Illinois the inland port of America.

## **Public Works**

Shortly after I became Governor, we enacted our job recovery initiative - *Illinois Jobs Now!* – a \$31 billion job recovery program to rebuild our roads, bridges, water systems, railroads, airports, and schools.

We are in the middle of the largest road-building program in the history of the State of Illinois. So far, we have repaired 4,800 miles of roads and 500 bridges - with a lot more to come.

We are creating jobs. Capital projects to date have created 142,000 short-term and permanent jobs.

Altogether we will create and retain more than 400,000 jobs over the course of the program.

We are also leading the nation in building a robust and efficient high-speed rail network. Demand for passenger rail is at an all-time high in Illinois, reaching a record 2 million riders on Amtrak last year.

The promise of high-speed rail has already brought new manufacturers to Illinois and new private investment to our communities. And we are working to get more federal funding for high-speed rail.

And today, I am reaffirming my commitment to build a third airport at Peotone in Chicago's south suburbs as fast as humanly possible.

We must expand our investment in a third airport to help companies move products and people in and out of our state.

Airport investment, rail investment, and road investment will pay substantial dividends today and over the next generation. We are the only state in the nation that is making this kind of investment in jobs and transportation infrastructure.

## **Education**

We must also keep improving our education infrastructure – the system that develops the minds of our children and prepares them for a productive life.

We don't want any state to out-educate Illinois.

Just over a year ago, I appointed the members of the first P-20 Council in Illinois including business leaders, teachers and parents from across the state.

We must ensure that everyone acquires the skills demanded by the 21st century workplace.

In today's world, that means that our high school students must be prepared for post-secondary education.

Children born this year will be in high school in 2025. We must begin at birth to provide the foundation that is needed to prepare our children for high school and success in college and careers.

We also need to revamp our higher education system to increase access for all students.

Therefore, we will increase funding for the monetary assistance program, which provides scholarships for qualified needy students, with a particular focus on community college students.

We should abolish the legislative scholarship program.

College scholarships -paid for by Illinois taxpayers - should only go to those that have true financial need for them.

### **Tax Relief and Reform**

We must be a state that has a dynamic, growing economy. We must provide a first-class education for our people and training that helps our workers succeed at all levels. But we must also be a state with a tax system that is fair and responsible.

For too long Illinois has had a tax code that is not fair. It is regressive and is not based on ability to pay.

We can do better.

For this reason, I will appoint an Illinois Revenue Reform Commission—and charge the members with recommending a plan to write a 21st century tax code for Illinois that focuses on fairness and promotes economic growth.

My vision for Illinois is a state that looks to the future by making reforms and sacrifices in the present.

In my Illinois – our children go to safe, top-notch schools that prepare them for the rigors of the global economy. The parents of Illinois earn a decent wage, and their employers give them the opportunity to have a good, middle-class standard of living.

Our homes are energy-efficient, technology-connected and are easy to maintain thanks to Illinois innovations.

Everybody in, nobody left out when it comes to building a better Illinois.

Working together, in good faith, we can overcome any challenge, and make the will of the people the law of the land.

Thank you.